

Message Text

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TO AMEMBASSY MOSCOW

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E.O. 11652: GDS

TAGS: BGEN, EEWT, UR

SUBJECT: RESULTS OF BUSINESS FACILITATION MEETING IN
WASHINGTON ON JUNE 9, 1978

1. FOLLOWING ARE THE RESULTS OF DISCUSSIONS AT THE JUNE 9
BUSINESS FACILITATION MEETING.

2. ASSISTANT SECRETARY OF COMMERCE WEIL, WHO CHAIRED THE
MEETING, OPENED BY SAYING THAT THERE ARE DIFFERENT VIEWS AS
TO THE IMPORTANCE OF TRADE, BUT THAT TRADE IS A VERY
IMPORTANT SECURITY ISSUE TO THE US. HE SAID THAT THE
RELATIONSHIP BETWEEN TRADE AND OTHER ISSUES IS ONE WE MUST
BE CAREFUL OF, AND THAT OFTEN ATTEMPTS TO USE TRADE AS A
LEVER HARM THE DOER AS MUCH OR MORE THAN THE OFFENDER. HIS
DEPARTMENT'S VIEW IS THAT WHILE THE TWO SIDES NOW SEEM TO
BE PREOCCUPIED WITH OTHER ISSUES, WE CANNOT IN THE MEANTIME
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ALLOW ECONOMIC RELATIONS TO DETERIORATE.

3. MKRTUMOV, THE SOVIET TRADE REPRESENTATIVE WHO HEADED UP
THE SOVIET SIDE, STATED THAT THE USSR HAS "ALWAYS
EMPHASIZED DEVELOPING TRADE" AND SEEKS THE ECONOMIC AND
OTHER POSITIVE BENEFITS OF TRADE IN TERMS OF THE RELAXATION
OF TENSIONS; THESE REMAIN THE VIEWS OF HIS GOVERNMENT.

4. NEW SOVIET TAX LAW: THE US INQUIRED ABOUT ITS INTERPRETATION AND THE SPECIFICS OF ITS APPLICATION. MKRTUMOV EXPLAINED THAT THE LAW IS "BASIC" AND THAT REGULATIONS DERIVED FROM IT, TO BE ISSUED BY THE MINISTRY OF FINANCE, WILL TAKE SOME TIME.

5. ACCREDITATION OF AMERICAN FIRMS TO THE USSR. US SIDE REFERRED TO ITS PREVIOUS REQUEST FOR A CLARIFICATION OF THE NEW (MAY, 1977) SOVIET REGULATIONS AND REMINDED THE SOVIET SIDE THAT THEY HAD PROMISED TO FACILITATE THE ACCREDITATION PROCESS. MKRTUMOV SAID THAT THE NEW REGULATIONS WERE NOT MUCH DIFFERENT FROM THE EARLIER ONES, THE ONLY SIGNIFICANT CHANGE BEING THE INCREASED DURATION OF THE ACCREDITATION PERIOD. HE PROVIDED THE RUSSIAN TEXT OF NEW REGULATIONS AND SUGGESTED CONSULTATIONS WITH THE SOVIET LEGAL ADVISOR IF THE "G "; QUESTIONS.

6. OFFICE SPACE FOR AMERICAN EXPRESS: ACTING DEPUTY ASSISTANT SECRETARY STROH POINTED OUT THAT WHEN HE WAS IN MOSCOW, HE WAS STRUCK BY THE GENERAL DISPARITY BETWEEN US FACILITIES THERE AND SOVIET OFFICES IN NEW YORK AND WASHINGTON. HE SAID THAT HE WAS CONCERNED THAT THE US HAD LET INTOURIST OCCUPY ITS NEW PREMISES IN NEW YORK, BUT SOVIETS WERE DELAYING ON AMEXCO OFFICE SPACE IN MOSCOW. MKRTUMOV SAID THAT HE WAS NOT FAMILIAR WITH THE CONFIDENTIAL

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AMEXCO-INTOURIST ARRANGEMENTS. HE NOTED THAT INTOURIST HAD DIFFICULTY FINDING NEW SPACE IN NEW YORK AFTER THE EXPIRATION OF THEIR LEASE. BEWT DIRECTOR FOR USSR AFFAIRS HEISS EXPLAINED THAT OFFICE SPACE IN MOSCOW HAD BEEN FOUND AND THAT THE REMAINING ISSUES WERE TO ENABLE AMEXCO INSPECT THE SPACE AND TO ARRANGE AN OCCUPANCY DATE. MKRTUMOV AGREED TO DO WHAT HE COULD TO EXPEDITE A SOLUTION.

7. MULTIPLE ENTRY/EXIT VISAS: DEPUTY DIRECTOR FOR ECONOMICS (EUR/SOV) EDGAR REITERATED US PROPOSAL THAT THE US AND USSR AGREE TO ISSUE MULTIPLE ENTRY/EXIT VISAS TO ALL COMMERCIAL PEOPLE RESIDENT IN BOTH COUNTRIES. HE POINTED OUT THAT THERE ARE MORE SOVIETS HERE THAN AMERICANS THERE, AND THAT SUCH AN ARRANGEMENT WOULD BENEFIT THE USSR AS MUCH IF NOT MORE THAN THE US. MKRTUMOV RESPONDED BY SAYING THAT VISA QUESTION WAS NOT HANDLED BY THE MINISTRY OF FOREIGN TRADE, BUT RATHER THE MINISTRY OF FOREIGN AFFAIRS. HE AGREE, HOWEVER, TO PUSH THE MFA AND EDGAR STATED AMERICAN READINESS TO AGREE ON THIS ISSUE.

8. MARINE CARGO INSURANCE. STROH SAID THAT US STILL HOPES FOR A NEGOTIATED SOLUTION TO THIS ISSUE AND AWAITS A PROPO-

S;' FROM THE SOVIETS. HE NOTED THAT ASSISTANT SECRETARY

BLACKWELL WILL BE IN MOSCOW IN JULY AND SUGGESTED THAT THE
ISSUE BE DEALT WITH AT THAT TIME. MKRTUMOV PROMISED TO
"DO WHAT I CAN DO" TO ARRANGE A MEETING FOR BLACKWELL
WITH DEPUTY MINISTER IVANOV AT THE MFT.

9. NICKEL EXPORTS: WEIL STATED AMERICAN CONCERN WITH THE
RECENT RAPID EXPANSION OF SOVIET NICKEL EXPORTS
OF 4 MILLION L," IN JANUARY AND FEBRUARY, AND ASKED FOR
FURTHER INFORMATION.

MARTUMOV SAID HE KNEW LITTLE ABOUT THIS, BUT HE WAS SURE
THE USSR WOULD NOT CONTINUE TO EXPORT AT THIS RATE. HE
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SAID THAT THE EARLY 1978 EXPORTS ARE A CARRY OVER FROM
1977 CONTRACTS, AND THAT 1978 CONTRACTS CALL 2 MILLION
TONS FOR THE WHOLE YEAR.

10. MODEL ON-SIDE CONTRACT: THE US SIDE SAID THAT
US EMBASSY MOSCOW HAD GIVEN THE SOVIETS A MODEL CONTRACT
FOR ON-SITE PERSONNEL IN THE USSR AND WERE AWAITING A
SOVIET REACTION; STROH PROVIDED MKRTUMOV WITH A COPY.

11. STATISTICS ON SOVIET EXPORTS: MKRTUMOV RESPONDED TO AN
EARLIER US REQUEST FOR QUARTERLY FOREIGN TRADE STATISTICS
BY COMMODITY. HE SAID THAT IN 1978, THE USSR BEGAN
PUBLISHING QUARTERLY TRADE STATISTICS BY RECIPIENT COUNTRY,
BUT NOT BY COMMODITY.

12. CASE STUDIES: MKRTUMOV RESPONDED TO AN EARLIER 'S
PROPOSAL REGARDING THE USE OF CASE STUDIES ON EAST-WEST
TRADE BY AMERICAN BUSINESS SCHOOLS AND ASKED FOR A
FURTHER EXPLANATION. STROH INDICATED THAT
HE WOULD PROVIDE EXAMPLES TO MKRTUMOV AND EMBASSY MOSCOW
FOR DISCUSSION.

13. BANK OF FOREIGN TRADE PERFORMANCE GUARANTEES: REFER-
RING TO A PREVIOUS US REQUEST FOR INFORMATION ABOUT THE
APPARENT REQUIREMENT THAT US FIRMS PROVIDE PERFORMANCE
GUARANTEES, MKRTUMOV INDICATED THAT THIS WAS NOTHING NEW
AND THAT THE BANK WAS MERELY ADOPTING STANDARD INTERNATIONAL
PRACTICE. HE SUGGESTED FURTHER DISCUSSION WITH
VNESHTORGBANK CHAIRMAN IVANOV IF PROBLEMS REMAIN.

14. USE OF AUTOMOBILES IN US AND USSR: MKRTUMOV RAISED THE
ISSUE OF THE USE OF CARS BY SOVIET COMMERCIAL VISITORS TO
THE US. HE STATED THAT AMERICANS WERE FREE TO RENT AUTOS
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IN THE USSR, BUT THAT IT WAS FORBIDDEN FOR SOVIETS IN THE US TO DO THE SAME; HE STATED HIS DISSATISFACTION WITH THE GUIDELINES THE US HAD PROVIDED AT A PREVIOUS MEETING, WHICH STATED UNDER WHAT CIRCUMSTANCES WE WOULD CONSIDER MAKING

EXCEPTIONS. HE REFERRED IN PARTICULAR TO THE SITUATION OF THE BELARUS TECHNICIANS IN MILWAUKEE. EDGAR STATED THAT THE DEPARTMENT WAS READY TO MAKE AN EXCEPTION TO THE GENERAL RULE, WHEN THERE WAS A DEMONSTRABLE NEED, BUT THAT THERE APPEARED TO BE AN ADEQUATE PUBLIC TRANSPORTATION SYSTEM IN MILWAUKEE. HE NOTED THAT WHILE IT IS THEORETICALLY POSSIBLE TO RENT CARS IN THE USSR, SUCH CARS ARE NOT ALWAYS AVAILABLE. HE AGREED TO TAKE ANOTHER LOOK AT THE MILWAUKEE SITUATION.

15. EXPORT LICENSE CASES. THE US SIDE REVIEWED THE STATUS OF CERTAIN EXPORT LICENSE CASES OF INTEREST TO THE SOVIET SIDE.

16. WATCHES AND WATCH MOVEMENTS: SOVIETS WERE GIVEN A COPY OF PROPOSED NEW REGULATIONS (BEING POUCHED) ON "PRODUCTION INCENTIVES APPLICABLE TO CALENDAR YEAR 1979 ALLOCATION ON DUTY-FREE WATCH QUOTAS AMONG PRODUCERS LOCATED IN THE VIRGIN ISLANDS AND GUAM". STROH EMPHASIZED THAT THESE WERE PROPOSED REGULATIONS AND INVITED SOVIET COMMENTS.

17. US EMBARGO OF FUR IMPORTS. MKRTUMOV REFERRED TO HIS PREVIOUS INQUIRY REGARDING PROPOSED LEGISLATION TO LIFT THESE RESTRICTIONS. WEIL SAID THAT MANY SUCH PROPOSALS HAVE BEEN MADE IN THE PAST WITH LITTLE SUCCESS AND AT PRESENT LEGISLATIVE PRIORITIES WERE SUCH THAT IT WAS UNLIKELY THAT PROGRESS WOULD BE MADE SOON.

18. BELARUS. MKRTUMOV CLARIFIED SOVIET PROPOSAL: TWO PEOPLE WOULD DEPART AMTORG DURING THE SUMMER (1978). THE TWO

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SLOTS WOULD BE TRANSFERRED TO THE BELARUS OFFICE IN NEW YORK FOR A SHORT PERIOD OF TIME (ABOUT A YEAR) TO HELP BELARUS INCREASE ITS SALES. THEY WOULD BE FILLED BY REPRESENTATIVES OF TRACTOREXPORT WHO WOULD COME FROM MOSCOW. AFTERWARDS THE SLOTS WOULD REVERT TO AMTORG. MKRTUMOV STATED THAT THE USSR WOULD BE PREPARED TO PROVIDE A WRITTEN REQUEST IF IT COULD RECEIVE AN INFORMAL INDICA-

TION THAT THE ANSWER WOULD BE POSITIVE. EDGAR REMAINED NON-COMMITTAL, BUT INDICATED THE REQUEST SEEMED REASONABLE. HE PROMISED A PROMPT REPLY.

19. STROH MENTIONED THAT THE ANNUAL REVIEW STIPULATED IN THE ORIGINAL ARRANGEMENTS FOR BELARUS HAD NOT YET TAKEN PLACE. MKRTUMOV SAID THAT THERE WASN'T MUCH TO REPORT. BELARUS WAS BUYING MORE THAN IT WAS SELLING. HE INDICATED THAT HE WOULD BRING BELARUS PRESIDENT MONAYENKOV TO STROH'S OFFICE.

20. WITH REGARD TO BELARUS TRAVEL REQUESTS, EDGAR STATED

DEPARTMENT WILLINGNESS TO ALLOW BELARUS TO FILE ITS OWN REQUESTS (RATHER THAN THROUGH AMTORG, AS HAS BEEN THE PRACTICE). NEWSOM

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